

Summary of FY 2007-2008 Annual Compensation Survey Findings

What and Why

- State's statutory policy is to provide competitive total compensation to employees to ensure a qualified and competent workforce.
- The Division of Human Resources (DHR) conducted its FY 2007-08 annual compensation survey and reported the findings as mandated by statute.
- The core compensation components surveyed are salary, including performance pay, and group benefit employer contributions.

Survey Findings

- Overall base salary budget increase of 3.5% in the Colorado Front Range market.
- Performance pay funding noted in the report is based on restoring historical 2.2% of personal services.
- Overall average salary increases recommended in the report total 5.7%. Note: the Director's recommendation letter requests 4.42% in recognition of availability of funds.

TOTAL COST OF CONTRIBUTIONS TO TOTAL COMPENSATION (see table below)

- Total dollars to reach prevailing total compensation and restore 2.2% funding for performance pay in the state personnel system, all funding sources, is **\$137 million**. Note: total dollars to fund the Director's 8/1/06 recommendation is \$62,795,360 million based on the budget appropriation process and other considerations such as availability of funds. It will be updated in December 2006.

FY 2007-08 TOTAL COMPENSATION SURVEY FINDINGS AND ESTIMATED COST FOR STATE PERSONNEL SYSTEM (Including associated PERA and Medicare costs)		
Type of Compensation	Compensation At 85% HLD	Prevailing Market Compensation
Salary Increases	\$101,355,444	\$101,355,444
HDL Contributions	\$15,750,852	\$35,767,041
Total Compensation Package New Dollars	\$117,106,296	\$137,122,458

SALARY

Pay Increases

- The report and Director's recommendation indicate a statewide average of 3.5% for salary structure adjustments. Specific salary structure adjustments indicated for each occupational group are shown in the table below. Note: this is a statewide average so individual employees will not necessarily receive a 3.5% adjustment.

Occupational Group	Salary Structure Adjustment	Total State Employees
ENFORCEMENT AND PROTECTIVE SERVICES (EPS)	3.2%	5200
TROOPERS	3.5%	682
FINANCIAL SERVICES (FS)	2.5%	1766
HEALTH CARE SERVICES (HCS) [and Medical (MED)]	3.9%	3484
LABOR/TRADES/CRAFTS (LTC)	2.2%	5242
ADMINISTRATIVE SUPPORT AND RELATED (ASR)	2.5%	4643
PROFESSIONAL SERVICES (PS) [and Teachers (T)]	3.6%	8287
PHYSICAL SCIENCES AND ENGINEERING (PSE)	3.4%	1917

Performance Pay

- Restore the historical 2.2% of payroll funding for the former anniversary system, which was cost neutral at the time, to fund performance pay and the mechanism to move salaries through pay ranges. Note: the Director's 8/1/06 recommendation requests an additional 0.92% based on availability of funds.
- Award percentages vary by performance level.

Trooper Salaries

Statute requires DPA to use consistent methodologies to determine and maintain prevailing compensation for state Troopers with two exceptions.

- First, the market is the three highest-paid large law enforcement agencies within the state (Fort Collins, Greeley, and Lakewood).
- Salary structure movement is calculated under the same methodology as other groups but based on this select market, showed an average movement of 3.5%.
- Second, any actual salary adjustment is based on at least 99% of the average actual salary from this select market, which is 6.2% (after adjusting for 24-50-104(4)(d)(IV)).

Salary Disparity with General Market

- State's workforce has fallen behind general market salary movements.
- Critical need is to fund performance and provide the mechanism for moving salaries through the ranges for the State to meet business objectives and implement the statutory policy of rewarding performance.

TOTAL NEW COST OF SALARIES

Survey findings indicate that the total cost for salary increases in the state personnel system for FY 2007-08 would be **\$101,355,444** and includes the associated PERA and Medicare costs.

- Salary structure of **\$62,141,376** (including occupational group adjustments and individual class adjustments).
- Performance pay at the 2.2% level of **\$39,214,068**.

Note: total dollars to fund the Director's 8/1/06 recommendation is \$52.6 million based on the budget appropriation process and other considerations and will be updated in December 2006.

BENEFITS

Medical

- The State provides 3 medical plans: a PPO with 4 options and 2 HMOs. The benefits plan design features (deductibles, co-pays, etc.) lag market.
- A 10% trend rate was used to calculate the projected premium increases for FY 2007-08. Employer contributions to benefits also continue to lag the market.
- Beginning July 1, 2006, the State's contributions to medical benefits reached an overall average of 75% of the average market employer contribution, an increase from 66% for the FY 2005-06 plan year.
- Market employers are still absorbing at least a portion of premium cost increases; consequently the State will lag the market further if no significant increases to employer contributions are funded.
- Strategic direction is to increase the employer's contribution to 85% of prevailing market employer contribution for FY 2007-08.

Dental

- The State currently provides three plans: Basic Plan, Basic Plus Plan, and Direct Reimbursement Plan.
- In comparison with the market, overall, the State contributes approximately 75% of the prevailing market employer contribution and the recommendation is to increase that to 85% beginning FY 2007-08.

Life Insurance and Accidental Death & Dismemberment (AD&D)

- The vast majority (95%) of employers reported providing life insurance and AD&D to their employees.
- Fifty-six percent of market employers determine the amount of life insurance as a multiplier of the employee's annual salary; weighted average is 1.6 times salary.
- Beginning July 2006, the State increased its life benefit to one times the employee's annual salary with a minimum of \$33,000 up to a maximum of \$40,000. This is more competitive with market life insurance.

Retirement

- Market (as reported by MSEC) indicates a total of 11.85% employer's contribution to retirement (7.65% FICA and an average 4.2% to defined contribution plans).
- The State's PERA contribution will be 11.35% for FY 2007-08 (11.15% for first six months and 11.55% for remaining six months).

TOTAL NEW COST OF BENEFITS

Survey findings indicate that the total cost for increasing the State's contribution to benefits is \$35.8 million if fully funded. Note: total dollars to fund the Director's 8/1/06 recommendation of 85% of the prevailing employer contribution for positions covered by the budget appropriation process is \$10.2 million.

NEXT STEPS

- Revised figures are expected for the December 2006 update due to additional survey sources and a more current ECI figure.
- DHR will prepare the December 2006 update to report adjusted movements for the occupational groups with most recent salary increase projections.
- DPA executive director will address the recommendations with the JBC and General Assembly in January.